

**DEPARTMENT OF HEALTH AND FAMILY SERVICES  
DIVISION OF HEALTH CARE FINANCING  
ADMINISTRATOR'S MEMO SERIES**

**NOTICE:** 05-06

**DATE:** 06/25/05

**DISPOSAL DATE:** Ongoing

**RE:   Reporting  
          Subcontracted Costs**

**To:**       County Departments of Human Services Directors  
          County Departments of Social Services Directors  
          Tribal Chairpersons/Human Services Facilitators  
          Tribal Economic Support Directors

**From:**   Mark B. Moody  
          Administrator  
          Division of Health Care Financing

**PURPOSE**

The purpose of this memo is to clarify the reporting of subcontracted costs in the IM/W2 Random Moment Sample (RMS) cost pools. This instruction applies only to counties in the "IM Only" RMS sample groups which provide services such as child care eligibility and/or W2 eligibility under a subcontract with a private W2 agency. All counties should review this information in case the situation in your county changes in the future.

Please share this information with the person(s) responsible for preparing and submitting cost reports.

**INTRODUCTION**

The IM/W2 RMS is the federally approved methodology for earning federal funds for work performed by Income Maintenance workers, regardless of who reimburses the county for the work done. The RMS system is used to determine the distribution of county worker effort in the IM/W2 functional area. There are three sample groups – IM/W2 Counties that are not affected by subcontracting (Group 3), IM-only Counties (Group 1) and Milwaukee County (Group 5), which stands alone and is IM-only. The resulting RMS statistics for each group are used to determine the allocation of the counties' shared expenditures to the benefiting programs, such as W2, FoodShare, and Medical Assistance. This allocation of expenditures, in combination with expenses directly attributable to specific programs, is the basis for earning federal funds for both DHFS and DWD.

In counties where the W2 agency is a private vendor, the W2 agency may contract with the county to provide specific activities such as eligibility determination for child care, W2, and other DWD programs. Under the terms of a subcontract between the two entities, the county bills the W2 agency and the W2 agency reimburses the county. The private W2 agency in turn bills DWD for expenses incurred. Private W2 agency expenditures are also used as the basis for earning a portion of the federal funds drawn.

A method is needed to ensure that federal funds are drawn once and only once for IM workers providing services benefiting the TANF, Child Care and/or other DWD programs under subcontracts with private W2 agencies.

## IMPLEMENTATION

The following instructions apply to RMS Groups 1 and 5:

1. Because all county workers in the IM/W2 functional area are subject to the RMS, IM only counties (Groups 1 and 5) should report all appropriate costs for Agency Management, Support and Overhead (AMSO) and the IM/W2 Cost Pool. These pools should not be reduced for amounts claimed for reimbursement under a subcontract.
2. The RMS program code for subcontracting has been removed and workers have been instructed to select the program or programs they are working on at the time of the RMS sample, regardless of whether there is a subcontract involved.
3. DWD will issue separate instructions requiring private W2 agencies that subcontract with counties to identify those costs separately from other reported costs. The costs reported by private W2 agencies as subcontracted to counties will not be used for federal claiming purposes.

Example:

ABC Private, Inc. is the W2 agency for Wilson County and subcontracts with Wilson County HSD to do Child Care eligibility and W2 eligibility. Wilson County bills ABC Private for costs and ABC Private pays them. ABC Private reports these costs to DWD for reimbursement on special CORE lines under their W2 contract.

Wilson County should not reduce their reporting of either AMSO or IM/W2 Cost Pool by the amount billed to the private W2 agency.

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